

AMERICAN LIBRARY ASSOCIATION
CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
AUGUST 31, 2014 AND 2013

DRAFT

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INDEPENDENT AUDITORS' REPORT

Executive Board
American Library Association
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Library Association, which comprise the consolidated statements of financial position as of August 31, 2014 and 2013, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Library Association as of August 31, 2014 and 2013, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

DRAFT

Chicago, Illinois
T/B/D

American Library Association
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31,

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,174,154	\$ 3,240,293
Short-term investments	14,422,212	12,397,093
Accounts receivable, less allowance for doubtful accounts and returns of \$241,891 and \$230,906 in 2014 and 2013, respectively	3,639,347	3,718,086
Inventories, less reserves of \$1,010,155 and \$583,355 in 2014 and 2013, respectively	1,818,234	1,964,770
Grants receivable	556,787	711,157
Prepaid expenses and other assets	<u>623,379</u>	<u>882,730</u>
Total current assets	23,234,113	22,914,129
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION	12,822,184	13,401,694
GOODWILL	1,826,567	1,826,567
INTANGIBLE ASSETS, LESS AMORTIZATION	2,264,698	2,865,364
LONG-TERM INVESTMENTS	<u>40,221,326</u>	<u>34,381,883</u>
TOTAL ASSETS	<u><u>\$ 80,368,888</u></u>	<u><u>\$ 75,389,637</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

American Library Association
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED
 August 31,

LIABILITIES AND NET ASSETS	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts payable	\$ 3,593,889	\$ 4,736,622
Accrued liabilities	1,109,187	1,075,660
Deferred revenue		
Publication subscriptions	2,455,710	2,501,310
Membership dues	4,155,832	4,049,838
Conference fees	2,290,437	2,682,827
Grants and awards	2,649,949	2,691,538
Current portion of capital lease obligation	159,611	142,090
Current portion of long-term debt	647,500	647,500
	<u>17,062,115</u>	<u>18,527,385</u>
Total current liabilities		
	124,005	283,615
CAPITAL LEASE OBLIGATION		
	8,157,500	8,805,000
LONG-TERM DEBT		
NON-CURRENT PORTION OF ACCRUED POST-RETIREMENT BENEFITS	<u>16,363,243</u>	<u>17,078,973</u>
Total liabilities	41,706,863	44,694,973
NET ASSETS		
Unrestricted	32,478,483	25,148,737
Temporarily restricted	5,668,842	5,031,227
Permanently restricted	514,700	514,700
	<u>38,662,025</u>	<u>30,694,664</u>
Total net assets		
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 80,368,888</u></u>	<u><u>\$ 75,389,637</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

American Library Association
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended August 31, 2014

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support				
Operating revenues				
Membership dues	\$ 8,387,299	\$ -	\$ -	\$ 8,387,299
Sales of books and materials	8,428,861	2,590	-	8,431,451
Subscriptions	4,935,371	-	-	4,935,371
Advertising	5,582,068	-	-	5,582,068
Meetings and conferences	12,579,999	-	-	12,579,999
Grants	4,537,061	417,884	-	4,954,945
Contributions	1,034,247	1,189,976	-	2,224,223
Dividends and interest income				
Short-term investments	703,567	-	-	703,567
Long-term investments	729,017	16,481	-	745,498
Other	2,694,479	997	-	2,695,476
Total operating revenues	49,611,969	1,627,928	-	51,239,897
Net assets released from restrictions				
Satisfaction of program restrictions	1,056,587	(1,056,587)	-	-
Total revenues and other support	50,668,556	571,341	-	51,239,897
Expenses				
Payroll	20,362,398	-	-	20,362,398
Outside services	7,270,045	-	-	7,270,045
Travel	2,196,459	-	-	2,196,459
Meetings and conferences	6,544,914	-	-	6,544,914
Scholarships and awards	229,083	-	-	229,083
Publications	4,394,998	-	-	4,394,998
Operating	7,511,363	-	-	7,511,363
Post-retirement benefits	1,440,871	-	-	1,440,871
Total expenses	49,950,131	-	-	49,950,131
Other post-retirement employee benefit-related credit other than net periodic post-retirement cost	1,795,382	-	-	1,795,382
Excess of operating revenues and other support over operating expenses	2,513,807	571,341	-	3,085,148
Non-operating				
Net realized and change in unrealized gains				
Short-term investments	139,359	-	-	139,359
Long-term investments	4,718,160	66,274	-	4,784,434
Change in investment in related party	(41,580)	-	-	(41,580)
CHANGE IN NET ASSETS	7,329,746	637,615	-	7,967,361
Net assets, beginning of year	25,148,737	5,031,227	514,700	30,694,664
Net assets, end of year	<u>\$ 32,478,483</u>	<u>\$ 5,668,842</u>	<u>\$ 514,700</u>	<u>\$ 38,662,025</u>

The accompanying notes are an integral part of the consolidated financial statements.

American Library Association
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended August 31, 2013

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support				
Operating revenues				
Membership dues	\$ 8,451,375	\$ -	\$ -	\$ 8,451,375
Sales of books and materials	7,913,144	10,544	-	7,923,688
Subscriptions	4,600,027	-	-	4,600,027
Advertising	5,848,740	-	-	5,848,740
Meetings and conferences	11,165,618	-	-	11,165,618
Grants	6,092,269	830,015	-	6,922,284
Contributions	1,069,283	84,940	-	1,154,223
Dividends and interest income				
Short-term investments	698,959	-	-	698,959
Long-term investments	504,200	16,964	-	521,164
Other	2,962,946	61	-	2,963,007
Total operating revenues	49,306,561	942,524	-	50,249,085
Net assets released from restrictions				
Satisfaction of program restrictions	988,662	(988,662)	-	-
Total revenues and other support	50,295,223	(46,138)	-	50,249,085
Expenses				
Payroll	21,009,944	-	-	21,009,944
Outside services	7,351,051	-	-	7,351,051
Travel	1,720,490	-	-	1,720,490
Meetings and conferences	7,295,552	-	-	7,295,552
Scholarships and awards	344,303	-	-	344,303
Publications	4,520,540	-	-	4,520,540
Operating	8,196,852	-	-	8,196,852
Post-retirement benefits	1,392,448	-	-	1,392,448
Total expenses	51,831,180	-	-	51,831,180
Other post-retirement employee benefit-related credit other than net periodic post-retirement cost	1,063,204	-	-	1,063,204
Deficiency of operating revenues and other support over operating expenses	(472,753)	(46,138)	-	(518,891)
Non-operating				
Net realized and change in unrealized gains (losses)				
Short-term investments	(418,276)	-	-	(418,276)
Long-term investments	2,046,630	28,529	-	2,075,159
Change in investment in related party	(25,979)	-	-	(25,979)
Impairment loss - goodwill	(500,000)	-	-	(500,000)
Impairment loss - intangible assets	(380,000)	-	-	(380,000)
CHANGE IN NET ASSETS	249,622	(17,609)	-	232,013
Net assets, beginning of year	24,899,115	5,048,836	514,700	30,462,651
Net assets, end of year	<u>\$ 25,148,737</u>	<u>\$ 5,031,227</u>	<u>\$ 514,700</u>	<u>\$ 30,694,664</u>

The accompanying notes are an integral part of the consolidated financial statements.

American Library Association
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended August 31,

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 7,967,361	\$ 232,013
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization - property and equipment	2,605,816	2,667,959
Amortization - intangible assets	600,666	669,757
Net realized and change in unrealized (gains) losses		
Short-term investments	(139,359)	418,276
Long-term investments	(4,784,434)	(2,075,159)
Change in investment in related party	41,580	25,979
Impairment loss - goodwill	-	500,000
Impairment loss - intangible assets	-	380,000
Increase in allowance for doubtful accounts and returns	10,985	19,898
Increase in reserve for inventories	426,800	66,172
Changes in operating assets and liabilities		
Accounts receivable	67,754	(446,645)
Inventories	(280,264)	(213,787)
Grants receivable	154,370	80,300
Prepaid expenses and other assets	259,351	(224,098)
Accounts payable	(1,142,733)	311,065
Accrued liabilities	(8,053)	386,746
Deferred revenue	(373,585)	(621,243)
Accrued post-retirement benefits	(715,730)	(47,563)
Net cash provided by operating activities	<u>4,690,525</u>	<u>2,129,670</u>
Cash flows from investing activities		
Purchase of property and equipment	(2,026,306)	(1,898,148)
Purchase of short-term investments	(13,845,051)	(6,289,776)
Proceeds from sale of short-term investments	11,959,291	7,302,736
Purchase of long-term investments	(32,688,531)	(14,668,137)
Proceeds from sale of long-term investments	<u>31,633,522</u>	<u>14,922,229</u>
Net cash used in investing activities	<u>(4,967,075)</u>	<u>(631,096)</u>
Cash flows from financing activities		
Proceeds from line of credit	500,000	2,000,000
Payments on line of credit	(500,000)	(2,000,000)
Payments on capital lease obligations	(142,089)	(283,320)
Principal payments of long-term debt	<u>(647,500)</u>	<u>(647,500)</u>
Net cash used in financing activities	<u>(789,589)</u>	<u>(930,820)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,066,139)	567,754
Cash and cash equivalents, beginning of year	<u>3,240,293</u>	<u>2,672,539</u>
Cash and cash equivalents, end of year	<u>\$ 2,174,154</u>	<u>\$ 3,240,293</u>
Supplemental disclosure of cash flow information		
Cash paid for interest expense	<u>\$ 369,537</u>	<u>\$ 421,020</u>

The accompanying notes are an integral part of the consolidated financial statements.

NOTE A - PURPOSE OF ORGANIZATION

The accompanying consolidated financial statements represent the accounts of the American Library Association (the "Association") and its affiliate, the ALA Allied Professional Association, Inc. (the "ALA/APA") and the Margaret Alexander Edwards Trust (the "Edwards trust").

The Association, a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code of 1986 (the "IRC") and the oldest and largest national library association in the world, is organized to promote libraries and librarianship. Governed by a council of 186 members (the "Council") and representing more than 55,300 personal and organizational members, the mission of the Association is to provide leadership for the development, promotion and improvement of library and information services and the profession of librarianship in order to enhance learning and ensure access to information for all.

The ALA/APA, governed by the Council, is organized to promote the mutual professional interests of librarians and other library workers. The ALA/APA was incorporated in July 2003 as a not-for-profit corporation under Section 501(c)(6) of the IRC. Significant intercompany transactions have been eliminated in consolidation.

The Edwards trust, governed by the Council, is organized to promote reading among young adults. The Edwards trust was established in 1989 under Section 501(c)(3) of the IRC as an exempt private foundation. Significant intercompany transactions have been eliminated in consolidation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires the use of estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ from those estimates.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are assets whose use has been limited by donors to a specific time period or purpose. Assets released from restrictions are reported in the consolidated statements of operations and changes in net assets as additions to unrestricted net assets.

Permanently restricted net assets consist of amounts designated by donors to be held in perpetuity. Earnings, gains and losses on permanently restricted net assets are included in unrestricted revenue and other support unless restricted by donors.

Contributions

Contributions are considered to be available for the general programs of the Association unless specifically restricted by the donor. Contributions are recorded at fair value.

Unconditional promises of others to contribute cash or other assets are reported at fair value at the date the promise is made. The contributions are reported as temporarily or permanently restricted if they are received with donor stipulations that limit the use of the contributed assets to a specific time period or purpose or if the contribution is to be held in perpetuity. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Association reports the support as unrestricted. Restricted earnings are recorded as additions to temporarily restricted net assets until such amounts are expended in accordance with the donor's specifications.

When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restrictions.

Grant Revenue

Grant revenue is recognized when the expenses have been incurred for the purpose specified by the grantor. Payments received in advance are initially recorded as deferred revenue. Grants that make payment on a reimbursement basis are included in grants receivable on the accompanying consolidated statements of financial position until the payment is received.

Revenue Recognition

Membership dues are recorded as revenue over the period for which such dues have been assessed. Revenue from publishing activities is recognized as follows: sales of books and other materials are recorded when the goods are shipped to a customer; subscriptions to publications are recorded over the respective subscription period; and advertising in publications is recorded when the publication is issued.

Registration fees for attending meetings, conferences and certain special projects are recorded as revenue at the time the related program takes place.

The Association receives significant amounts of membership dues, publication subscriptions and fees for meetings, conferences and special projects in advance of earning this revenue. The advance payments are recorded as deferred revenue in the accompanying consolidated statements of financial position.

Advertising

Advertising costs are expensed as incurred.

Cash Equivalents

Cash equivalents consist of money market account deposits that are highly liquid and have a maturity of three months or less at the date of acquisition. Cash includes cash held in bank accounts with balances that exceed the Federal Deposit Insurance Corporation insured limits of \$250,000. The Association has not experienced any losses in such accounts and management believes it is not exposed to significant financial risk.

Accounts Receivable

The Association evaluates the collectability of its accounts receivable based on the length of time the receivables are outstanding and the anticipated future collectible amounts based on historical experience. Accounts receivable are charged to the allowance for doubtful accounts when they are deemed uncollectible and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The Association does not require collateral.

Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. These include investments for which quoted prices are available but which are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a Net Asset Value ("NAV") per share, or its equivalent, that may be redeemed at that NAV at the dates of the consolidated statements of financial position or in the near term, which is generally considered to be within 90 days.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

Transfers between levels are recognized as of the end of the reporting period.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes observable input requires significant judgment by the Association. The Association considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Association's perceived risk of that instrument.

Inventories

Inventories primarily include books, pamphlets, posters and paper. Inventories are carried at the lower of cost (first-in, first-out basis) or market, and are recorded at an amount that includes direct expenses incurred in production. Indirect and copy editing costs are charged to expense as incurred.

Inventories are stated net of a reserve for excess and obsolete items. Reserves for obsolete inventories are based on estimated future sales as related to quantities of stock on hand. Consignment inventories are sold by the Association based upon sales agreements with two publishing companies.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Capitalization occurs when the aggregate cost of property or equipment exceeds \$1,000 and that property has an estimated useful life of three years or more. Buildings are depreciated over useful lives of 37 to 50 years, furniture and equipment are depreciated over useful lives of 3 to 10 years, and technology and related equipment are depreciated over useful lives of 3 to 5 years. Depreciation is provided using the straight-line method. Upon retirement or sale of assets, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged in determining the change in net assets.

NOTE C - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, 2014 and 2013 are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Preparation and publication of reading lists	\$ 863,791	\$ 893,155
Scholarships, awards and fellowships	4,699,941	4,027,041
Promotion of public libraries	77,233	82,709
Other	<u>27,877</u>	<u>28,322</u>
	<u>\$ 5,668,842</u>	<u>\$ 5,031,227</u>

	<u>2014</u>	<u>2013</u>
Purpose or time restrictions accomplished		
Preparation and publication of reading lists	\$ 51,459	\$ 45,869
Scholarships, awards and fellowships	998,500	934,069
Promotion of public libraries	5,476	7,695
Other	<u>1,152</u>	<u>1,029</u>
	<u>\$ 1,056,587</u>	<u>\$ 988,662</u>

As of August 31, 2014 and 2013, the Association's permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support the following purposes:

	<u>2014</u>	<u>2013</u>
Preparation and publication of reading lists	\$ 100,000	\$ 100,000
Scholarships, awards and fellowships	411,700	411,700
Other	<u>3,000</u>	<u>3,000</u>
	<u>\$ 514,700</u>	<u>\$ 514,700</u>

NOTE D - INVESTMENT IN RELATED PARTY

The Association is a participant, with two other organizations, in a publishing venture. The three participating organizations (the "Participant(s)") each own, as tenants in common, one-third shares of the copyright created by the efforts of this related party. Under a separate agreement, a committee was established to administer a fund (the "Fund") and to apply the assets of the Fund toward making amendments and revisions to the copyrighted materials, and to fund future product development, travel and administrative support. Each Participant is obligated to remit to the Fund a royalty of 10% of the Participant's sales of the copyrighted material. The Association serves as custodian for the Fund on behalf of the Participants.

At August 31, 2014 and 2013, the Association has a \$502,000 net receivable (net of \$89,000 in allowance reserves) and a \$395,000 receivable (net of \$70,000 in allowance reserves), respectively, from the Fund for expenditures paid. Total amounts paid by the Association to the Fund for royalties during the years ended August 31, 2014 and 2013, were \$6,521 and \$-0-, respectively. For 2014 and 2013, the Association's portion of the Fund's net loss was \$41,580 and \$25,979, respectively, which is reflected in the accompanying consolidated statements of operations and changes in net assets.

The following summarizes the condensed financial information of the Fund as of and for the years ended August 31:

	2014	2013
Total assets	\$ 186,199	\$ 185,837
Total liabilities	575,440	449,961
Revenues	8,111	19,990
Expenses	133,228	97,803

NOTE E - MARGARET ALEXANDER EDWARDS TRUST

On December 20, 2013, the Association assumed control of the Margaret Alexander Edwards Trust with an approximate fair value of \$970,000. The purpose of the trust is to distribute funds to further the personal reading of young adults.

The Margaret Alexander Edwards Trust is a separate legal entity and has been consolidated with the activities of the Association for the fiscal year ended August 31, 2014. The trust will be managed in accordance with the same investment, disbursement and spending policies as the Association's other investment funds.

NOTE F - ALLOWANCE FOR DOUBTFUL ACCOUNTS AND RETURNS

Changes in the Association's allowance for doubtful accounts and returns for the years ended August 31, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 230,906	\$ 211,008
Provision for bad debts	26,667	10,000
Accounts written off	(21,566)	(33,777)
Amounts recovered	5,884	23,675
Adjustment to allowance for returns	<u>-</u>	<u>20,000</u>
Ending balance	<u>\$ 241,891</u>	<u>\$ 230,906</u>

NOTE G - PROPERTY AND EQUIPMENT

The components of property and equipment balances at August 31, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 2,443,394	\$ 2,443,394
Buildings and improvements	14,153,100	13,964,617
Furniture and other equipment	3,458,963	3,442,942
Technology and related equipment	<u>20,344,763</u>	<u>18,522,961</u>
Total property and equipment	40,400,220	38,373,914
Less accumulated depreciation and amortization	<u>27,578,036</u>	<u>24,972,220</u>
Property and equipment, net	<u>\$ 12,822,184</u>	<u>\$ 13,401,694</u>

Unamortized software development costs included in property and equipment at August 31, 2014 and 2013, were \$2,491,357 and \$2,874,725, respectively. Related amortization expense was \$1,021,251 and \$976,496 in 2014 and 2013, respectively. Property and equipment depreciation and amortization expense was \$2,605,816 and \$2,667,959 for the years ended August 31, 2014 and 2013, respectively.

NOTE H - INTANGIBLE ASSETS

The Association recognizes an acquired intangible asset apart from goodwill whenever the intangible asset arises from contractual or other legal rights, or when it can be separated or divided from the acquired entity and sold, transferred, licensed, rented, or exchanged, either individually or in combination with a related contract, asset, or liability. Intangible assets are stated at cost less accumulated amortization and consist of trademarks and brand extension, co-publishing relationship, distribution relationship, backlist, customer relationships, online and catalog and non-compete agreements. The Association reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Impairment losses are recognized if the carrying amount of an intangible subject to amortization is not recoverable from expected future cash flows and its carrying amount exceeds its fair value. There was no impairment of intangible assets at August 31, 2014.

Based on results (or other events) for the year ended August 31, 2013, circumstances indicated that the carrying amount of assets may not be recoverable. Management performed an analysis and determined there were impairment losses related to the distribution relationships and customer relationships as of August 31, 2013. As a result, impairment losses of \$380,000 were recorded in the consolidated statement of operations and changes in net assets for the year ended August 31, 2013.

The Association allocated \$4,250,000 of the purchase price in the Neal Schuman Publishers, Inc. acquisition on December 23, 2011, to the following groupings and estimated useful lives as determined by independent expert appraisal:

American Library Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2014 and 2013

<u>Intangible Asset</u>	August 31, 2014			Estimated Useful Life (Years)
	<u>Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>	
Trademarks & brand extension	\$ 1,684,000	\$ (421,000)	\$ 1,263,000	10
Co-publishing relationship	998,000	(356,429)	641,571	7
Distribution relationship	356,000	(175,357)	180,643	7
Backlist	516,000	(430,000)	86,000	3
Customer relationships	92,000	(51,266)	40,734	7
Online & catalog	150,000	(125,000)	25,000	3
Non-compete agreement	<u>74,000</u>	<u>(46,250)</u>	<u>27,750</u>	4
	<u>\$ 3,870,000</u>	<u>\$ (1,605,302)</u>	<u>\$ 2,264,698</u>	

<u>Intangible Asset</u>	August 31, 2013			Estimated Useful Life (Years)	
	<u>Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Impairment</u>		<u>Net</u>
Trademarks & brand extension	\$1,684,000	\$ (252,600)	\$ -	\$1,431,400	10
Co-publishing relationship	998,000	(213,857)	-	784,143	7
Distribution relationships	631,000	(135,214)	(275,000)	220,786	7
Backlist	516,000	(258,000)	-	258,000	3
Customer relationships	197,000	(42,215)	(105,000)	49,785	7
Online & catalog	150,000	(75,000)	-	75,000	3
Non-compete agreement	<u>74,000</u>	<u>(27,750)</u>	<u>-</u>	<u>46,250</u>	4
	<u>\$4,250,000</u>	<u>\$ (1,004,636)</u>	<u>\$ (380,000)</u>	<u>\$ 2,865,364</u>	

Amortization expense charged to the operations of the Association was \$600,666 and \$669,757 for the years ended August 31, 2014 and 2013, respectively. Amortization has been computed based on the estimated useful lives described above.

American Library Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2014 and 2013

The estimated intangible assets amortization expense for each of the next five years is as follows:

2015	\$	489,666
2016		369,416
2017		360,166
2018		360,166
2019		264,284
Thereafter		<u>421,000</u>
Total	\$	<u>2,264,698</u>

The above information was a result from an acquisition of the net assets of Neal Schuman Publishers, Inc. for a total purchase price of \$7,058,918 funded through operating cash and a term loan on December 23, 2011. The purchase was accounted for under the acquisition method of accounting, whereby the underlying assets acquired were recorded at their fair value. The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill of \$2,326,567.

The following schedule summarizes the fair value of the assets acquired and liabilities assumed as of December 23, 2011:

Accounts receivable	\$	85,201
Inventories		667,293
Intangible assets		4,250,000
Goodwill		<u>2,326,567</u>
Total assets		7,329,061
Accounts payable		61,593
Other liabilities		<u>208,550</u>
Total liabilities		270,143
Net asset purchase	\$	<u>7,058,918</u>

The Association has obtained a term loan from a financial institution in the amount of \$10,100,000 of which \$5,800,000 was used toward the net asset purchase of Neal Schuman Publishers, Inc.

NOTE I - GOODWILL

The Association applies the acquisition method of accounting for business combinations. Under this method, all assets and liabilities acquired in a business combination, including goodwill, are recorded at fair value. The purchase price allocation requires subjective judgments concerning estimates of the fair value of the acquired assets and liabilities. Goodwill consists principally of the excess of cost over the fair value of net assets acquired in business combinations, as further described in Note H, and is not amortized.

The Association performs an annual impairment analysis of goodwill. The events and circumstances considered are significant under-performance relative to projected future operating results and significant changes in the overall business and/or product strategies. Impairment of goodwill is evaluated first by performing a qualitative assessment to determine if it is more likely than not that the fair value of the reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the two-step goodwill impairment test. The first step involves a comparison of the fair value of a reporting unit with its carrying amount. If the carrying amount of the reporting unit exceeds its fair value, the second step involves recording an impairment loss for the excess. The implied fair value is determined by estimating the future earnings of the reporting unit using the income approach model.

The result of this analysis concluded there was no impairment of goodwill at August 31, 2014. For the year ended August 31, 2013, the result of this analysis concluded the carrying amount exceeded fair value and an impairment loss of \$500,000 was recorded in the consolidated statement of operations and changes in net assets.

NOTE J - INVESTMENTS

The composition of the Association's investment portfolio at August 31 is as follows:

Type	2014		2013	
	Cost or amortized cost	Carrying value	Cost or amortized cost	Carrying value
Short-term investments				
Cash	\$ 455,447	\$ 455,447	\$ 460,526	\$ 460,526
Corporate bonds	5,362,154	5,558,578	3,941,590	3,957,007
U.S. Government securities	8,272,414	8,408,187	8,013,060	7,979,560
Total short-term investments	<u>\$ 14,090,015</u>	<u>\$ 14,422,212</u>	<u>\$ 12,415,176</u>	<u>\$ 12,397,093</u>

Type	2014		2013	
	Cost or amortized cost	Carrying value	Cost or amortized cost	Carrying value
Long-term investments				
Cash	\$ 1,072,023	\$ 1,072,023	\$ 1,097,580	\$ 1,097,580
Common stock	11,482,492	16,053,976	10,855,589	13,561,313
Corporate bonds	18,450,876	19,818,733	15,833,000	15,787,356
U.S. Government securities	1,714,863	1,542,382	1,612,807	1,250,555
Fund of funds hedge fund	1,846,256	1,734,212	2,553,825	2,685,079
Total long-term investments	<u>\$34,566,510</u>	<u>\$ 40,221,326</u>	<u>\$ 31,952,801</u>	<u>\$ 34,381,883</u>

Investments valued at NAV as of August 31, 2014 and 2013, consisted of the following:

	2014			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of funds hedge fund (a)	<u>\$1,734,212</u>	\$ -	Quarterly	Up to 120 days
Total investments recorded at NAV	<u>\$1,734,212</u>	\$ -		

American Library Association
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 August 31, 2014 and 2013

	2013			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of funds hedge fund (a)	\$ <u>2,685,079</u>	\$ _____ -	Quarterly	Up to 120 days
Total investments recorded at NAV	\$ <u>2,685,079</u>	\$ _____ -		

(a) The objective of this fund is to preserve capital while generating consistent long-term appreciation across all market cycles. The fund of funds hedge fund invests all of its assets in a master fund which provides investors the ability to more easily approximate a multi-manager portfolio, thus providing exposure to a variety of investment styles and philosophies. Requested withdrawals are subject to a 5% hold-back provision until the fund's next audit cycle is completed.

Investment return consists of the following for the years ended August 31:

	2014	2013
Net change in unrealized gain on investments	\$ 3,793,912	\$ 731,888
Net realized gain on the sale of investments	<u>1,129,881</u>	<u>924,995</u>
	4,923,793	1,656,883
Dividends and interest income	<u>1,449,065</u>	<u>1,220,123</u>
	\$ <u>6,372,858</u>	\$ <u>2,877,006</u>

NOTE K - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to measure the carrying value of each class of financial instruments appearing on the accompanying statements of financial position for which it is practical to estimate the fair value.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of money market accounts and are carried at amortized cost, which approximates fair value.

Accounts and Grants Receivable

Accounts and grants receivable are shown net of allowance for uncollectible amounts and are reflected at their approximate fair value.

Investments

Investments are stated at fair value, except for investments in cash, which are at amortized cost. Investments with values that are based on quoted market prices in active markets and are, therefore, classified within Level 1, include active listed equities, certain U.S. Government and sovereign obligations, corporate bonds, precious metal commodities and certain money market securities. The Association does not adjust the quoted price for such instruments, even in situations where the Association holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within Level 2. These include certain U.S. Government and sovereign obligations, government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include hedge funds, private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities backed by either commercial or residential real estate. When observable prices are not available for these securities, the Association uses one or more valuation techniques.

Short-term investments are available for short-term operations and long-term investments are investments intended to be held more than one year. Investment purchases and sales are recorded as of the trade date.

Deferred Revenue

The carrying amount approximates the fair value and is based upon the publication subscriptions, membership dues, conference fees, and grants and awards received in advance and not yet deemed to be earned by the Association.

American Library Association
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 August 31, 2014 and 2013

The following table summarizes the fair value of assets by level as of August 31:

	2014			Total
	Level 1	Level 2	Level 3	
Assets				
Common stock	\$ 15,914,751	\$ 139,225	\$ -	\$ 16,053,976
U.S. Government securities	7,147,560	2,803,009	-	9,950,569
Corporate bonds	20,138,203	5,239,108	-	25,377,311
Fund of funds hedge fund	-	-	1,734,212	1,734,212
Total assets at fair value	\$ 43,200,514	\$ 8,181,342	\$ 1,734,212	\$ 53,116,068

	2013			Total
	Level 1	Level 2	Level 3	
Assets				
Common stock	\$ 13,469,335	\$ 91,978	\$ -	\$ 13,561,313
U.S. Government securities	5,693,842	3,536,273	-	9,230,115
Corporate bonds	14,844,791	4,899,572	-	19,744,363
Fund of funds hedge fund	-	-	2,685,079	2,685,079
Total assets at fair value	\$ 34,007,968	\$ 8,527,823	\$ 2,685,079	\$ 45,220,870

The changes in investments included in Level 3 assets measured at fair value are summarized as follows:

Balance, August 31, 2012	\$ 3,354,419
Distributions	(669,340)
Balance, August 31, 2013	2,685,079
Distributions	(950,867)
Balance, August 31, 2014	\$ 1,734,212

NOTE L - ENDOWMENT NET ASSETS

The Association's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Executive Board to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Executive Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Executive Board of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Association and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Association
7. The investment policies of the Association

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature would be reported in unrestricted net assets. These deficiencies could result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions or continued appropriation for certain programs that may be deemed prudent by the Executive Board. There were no such deficiencies as of August 31, 2014 or 2013.

American Library Association
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 August 31, 2014 and 2013

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under these policies, as approved by the Executive Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Effective September 1, 2011, the annual spending formula is based on a range of 3% to 5% of the trailing five-year quarterly (20 quarters) rolling average of each fund's calendar quarterly net asset balance.

Endowment net asset composition as of August 31, 2014 and 2013 is as follows:

	2014			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Donor-restricted endowment funds	\$ -	\$ 1,158,073	\$ 514,700	\$ 1,672,773
Board-designated endowment funds	<u>15,008,260</u>	<u>-</u>	<u>-</u>	<u>15,008,260</u>
Total funds	<u>\$ 15,008,260</u>	<u>\$ 1,158,073</u>	<u>\$ 514,700</u>	<u>\$ 16,681,033</u>

	2013			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Donor-restricted endowment funds	\$ -	\$ 1,176,590	\$ 514,700	\$ 1,691,290
Board-designated endowment funds	<u>13,369,253</u>	<u>-</u>	<u>-</u>	<u>13,369,253</u>
Total funds	<u>\$ 13,369,253</u>	<u>\$ 1,176,590</u>	<u>\$ 514,700</u>	<u>\$ 15,060,543</u>

American Library Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 August 31, 2014 and 2013

Changes in endowment net assets for the years ended August 31, 2014 and 2013 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, August 31, 2012	\$ 12,834,165	\$ 1,232,036	\$ 514,700	\$ 14,580,901
Additions and transfers	3,550	-	-	3,550
Dividends and interest	3,352	12,928	-	16,280
Net gains (realized and unrealized)	740,876	28,528	-	769,404
Appropriation of endowment assets for expenditures	<u>(212,690)</u>	<u>(96,902)</u>	<u>-</u>	<u>(309,592)</u>
Endowment net assets, August 31, 2013	<u>13,369,253</u>	<u>1,176,590</u>	<u>514,700</u>	<u>15,060,543</u>
Additions and transfers	107,424	-	-	107,424
Dividends and interest	-	16,483	-	16,483
Net gains (realized and unrealized)	1,655,783	66,274	-	1,722,057
Appropriation of endowment assets for expenditures	<u>(124,200)</u>	<u>(101,274)</u>	<u>-</u>	<u>(225,474)</u>
Endowment net assets, August 31, 2014	<u>\$ 15,008,260</u>	<u>\$ 1,158,073</u>	<u>\$ 514,700</u>	<u>\$ 16,681,033</u>

NOTE M - LINE OF CREDIT

The Association has a \$2,500,000 unsecured line of credit with a bank, which is due on demand. Under the terms of the agreement, interest on amounts borrowed is payable at the bank's prime rate of interest. As of August 31, 2014 and 2013 there was no outstanding balance on the line of credit.

NOTE N - EMPLOYEE RETIREMENT PLANS

The Association has a defined contribution retirement plan covering all regular full-time employees who have completed two years of service. Contributions to the plan are used to purchase separate annuity contracts for each participating employee. The Association provides a contribution to all participants equal to 4% of annual base salary. Additional voluntary contributions up to 3% of annual base salary are shared equally by the Association and employees. The cost of this plan, which is included in payroll expenses, was \$869,943 and \$919,109 in 2014 and 2013, respectively.

The Association offers deferred compensation plans under Internal Revenue Code 457(b) and 457(f) to a select group of management. The Association has recorded a liability of \$-0- at August 31, 2014 and 2013, related to these deferred compensation plans.

NOTE O - COMMITMENTS AND CONTINGENCIES

The Association leases certain office facilities and equipment.

Operating Leases

The future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of August 31, 2014, are as follows:

<u>Years ending August 31,</u>	
2015	\$ 60,001
2016	<u>5,899</u>
Total	\$ <u>65,900</u>

Total rental expenses under operating leases were \$162,289 and \$187,239 in 2014 and 2013, respectively.

Capital Leases

The future minimum lease payments under capital leases are as follows:

Years ending August 31,	
2015	\$ 173,014
2016	98,147
2017	<u>29,853</u>
	301,014
Less amount representing interest	<u>17,398</u>
Total	\$ <u>283,616</u>

Property recorded under the capital leases included the following amounts at August 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Assets	\$ 664,300	\$ 664,300
Less: accumulated depreciation	<u>400,744</u>	<u>260,776</u>
Net capitalized lease property	\$ <u>263,556</u>	\$ <u>403,524</u>

NOTE P - LONG-TERM DEBT

On July 2, 2012, the Association obtained an unsecured term loan from a financial institution in the amount of \$10,100,000.

The loan is to support the acquisition of Neal Schuman Publishers, Inc., to refinance series 2006 Variable Rate Revenue Bonds, refinance a term loan related to the commercial condo office in Connecticut, to fund an interest rate swap termination payment, and to fund certain costs of issuance. The terms of the long-term refinancing consist of annual principal payments each July and monthly interest payments calculated at 3.5% provided the Association meets required covenants and limitations on additional indebtedness.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2014 and 2013

The terms of the long-term debt arrangement require, among other provisions, the maintenance of various financial ratios and place limitations on additional indebtedness.

Maturities of long-term debt are as follows:

<u>Years ending August 31,</u>	
2015	\$ 647,500
2016	1,147,500
2017	1,147,500
2018	1,147,500
2019	<u>4,715,000</u>
Total	\$ <u>8,805,000</u>

Interest expense amounted to \$328,529 and \$354,507 in 2014 and 2013, respectively.

NOTE Q - TAXES

The Association is a tax-exempt organization under Section 501(c)(3) of the IRC. The ALA/APA is exempt under Section 501(c)(6) of the IRC. These Section 501(c)(3) and Section 501(c)(6) organizations are taxed only on income classified as unrelated business income. The ALA/APA did not have any unrelated business income for the years ending August 31, 2014 and 2013. The Association has income derived from certain advertising activities that has been determined to be unrelated business income. Unrelated business income is taxed in accordance with federal and state income tax regulations. The provision (recovery) for unrelated business income taxes was (\$1,740) in 2014 and \$6,117 in 2013.

The Edwards trust is an exempt private foundation under Section 501(c)(3) of the IRC and is taxed on undistributed income, as defined by the IRC. Tax returns are filed on a calendar-year basis for the Edwards trust. The provision for income taxes was \$212 for the calendar year 2013.

The tax years ended 2010, 2011 and 2012 are still open to audit for both federal and state purposes.

Based on the evaluation of the Association's tax positions, management believes all positions taken would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended August 31, 2014 and 2013.

NOTE R - OTHER POST-RETIREMENT EMPLOYEE BENEFITS

The Association maintains a voluntary contributory plan providing post-retirement healthcare and non-contributory post-retirement life insurance. The Association's employees who meet certain age and service requirements at the time of their retirement are eligible to participate. Participants can select coverage from one of three medical plans and from one of two dental plans. In 2011, the plan was amended to provide retiree health insurance benefits to employees who reach 65 years of age with 5 years of service. Prior to amendment the plan allowed coverage to employees who had reached 65 years of age with 5 years of service or who reached 55 years of age with 20 years of service. The Association's post-retirement plan is unfunded.

The following table presents the amounts related to the plan recognized in the Association's consolidated statements of financial position as of August 31:

	2014	2013
Benefit obligation, beginning of year	\$ 17,602,200	\$ 17,596,753
Service cost	674,158	724,496
Interest cost	867,035	781,274
Actuarial gain	(1,895,704)	(1,176,526)
Retiree contributions	145,786	157,087
Medicare Part D subsidy	26,359	27,609
Benefits paid, net of Medicare Part D subsidy	<u>(508,454)</u>	<u>(508,493)</u>
Benefit obligation, end of year	<u>\$ 16,911,380</u>	<u>\$ 17,602,200</u>

The current portion of the benefit obligation at August 31, 2014 and 2013, is \$548,137 and \$523,227, respectively, and is included in accrued liabilities in the accompanying consolidated statements of financial position.

The summary of the changes in plan assets as of August 31, 2014 and 2013 is as follows:

	2014	2013
Plan assets at fair value, beginning of year	\$ -	\$ -
Retiree contributions	145,786	157,087
Medicare Part D subsidy	26,359	27,609
Employer contributions, net of Medicare Part D subsidy	336,309	323,797
Benefits paid	<u>(508,454)</u>	<u>(508,493)</u>
Plan assets at fair value, end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status at end of year	<u>\$ (16,911,380)</u>	<u>\$ (17,602,200)</u>

American Library Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2014 and 2013

The Association anticipates contributions of \$548,137 to plan assets will be made during 2015. Estimated benefit payments are \$548,137 in 2015, \$608,742 in 2016, \$621,311 in 2017, \$653,042 in 2018, \$694,485 in 2019 and \$3,998,732 in 2020 through 2024.

Net periodic benefit cost is comprised of the following:

	<u>2014</u>	<u>2013</u>
Service cost	\$ 674,158	\$ 724,496
Interest cost	867,035	781,274
Amortization of unrecognized prior service cost	<u>(100,322)</u>	<u>(113,322)</u>
Total net periodic benefit cost	<u>\$ 1,440,871</u>	<u>\$ 1,392,448</u>

Amounts that have not yet been recognized as a component of net periodic benefit cost consist of the following at August 31:

	<u>2014</u>	<u>2013</u>
Prior service cost	\$ (1,242,803)	\$ (1,343,125)
Net (gain) loss	<u>(1,872,397)</u>	<u>28,754</u>
Total included in unrestricted net assets	<u>\$ (3,115,200)</u>	<u>\$ (1,314,371)</u>

Other post-retirement employee benefit-related costs (credits) other than net periodic post-retirement cost recognized in the consolidated statements of operations and changes in net assets are as follows at August 31:

	<u>2014</u>	<u>2013</u>
Net actuarial gain	\$ (1,895,704)	\$ (1,176,526)
Amortization of previously unrecognized prior service cost	<u>100,322</u>	<u>113,322</u>
Total benefit-related credits other than net periodic benefit cost	<u>\$ (1,795,382)</u>	<u>\$ (1,063,204)</u>

Assumptions as of August 31, 2014 and 2013, used to determine the benefit obligation are as follows:

	<u>2014</u>	<u>2013</u>
Weighted-average discount rate	5.0%	5.0%

The gross weighted-average annual assumed rate of increase in the per capita cost of covered benefits (healthcare cost trend rate) is 7% for 2014 and is assumed to decrease gradually to 5% for 2023 and remain at that level thereafter. The gross dental trend rate is 5% for 2014 and is assumed to remain at that level thereafter. A 1% increase in the healthcare cost trend rate would increase the benefit obligation by \$3,091,909 and a 1% decrease would decrease the benefit obligation by \$2,440,113. Additionally, a 1% increase in the healthcare cost trend rate would increase combined service and interest cost by \$378,063 and a 1% decrease would decrease combined service and interest cost by \$284,609.

NOTE R - FUNCTIONAL EXPENSES

Expenses incurred by the Association for the years ended August 31 were for the following purposes:

	<u>2014</u>	<u>2013</u>
Program services	\$ 45,552,062	\$ 47,394,912
General and administrative activities	2,263,401	3,074,454
Fundraising activities	<u>339,286</u>	<u>298,610</u>
	<u>\$ 48,154,749</u>	<u>\$ 50,767,976</u>

NOTE T - SUBSEQUENT EVENTS

The Association evaluated its August 31, 2014 consolidated financial statements for subsequent events through January XX, 2015, the date the financial statements were issued. The Association is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTAL INFORMATION

DRAFT

INDEPENDENT AUDITORS' REPORT

Executive Board
American Library Association
Elgin, Illinois

Our report on our audits of the basic consolidated financial statements of American Library Association as of August 31, 2014 and 2013 appears on pages 1 and 2. Those audits were made for the purpose of forming an opinion on such consolidated financial statements taken as a whole. The 2014 and 2013 information on pages 33 through 43 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information as of and for the year ended August 31, 2014 is fairly stated in all material respects in relation to the financial statements as a whole.

Chicago, Illinois
T/B/D

DETAILS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

August 31, 2014 (with comparative totals as of August 31, 2013)

ASSETS	2014										2013 Total
	Operating Fund	Plant Fund	Grants and Awards Fund	Long-Term Investments Fund	Total all funds	ALA/APA	Edwards Trust	Subtotal	Eliminations	Total	
CURRENT ASSETS											
Cash and cash equivalents	\$ 2,154,056	\$ -	\$ -	\$ -	\$ 2,154,056	\$ 20,098	\$ -	\$ 2,174,154	\$ -	\$ 2,174,154	\$ 3,240,293
Short-term investments	14,422,212	-	-	-	14,422,212	-	-	14,422,212	-	14,422,212	12,397,093
Accounts receivable, less allowance for doubtful accounts and returns of \$241,891 and \$230,906 in 2014 and 2013, respectively	3,502,290	-	-	119,615	3,621,905	-	-	3,621,905	17,442	3,639,347	3,718,086
Inventories, less reserves of \$1,010,155 and \$583,355 in 2014 and 2013, respectively	1,817,310	-	-	-	1,817,310	924	-	1,818,234	-	1,818,234	1,964,770
Grants receivable	-	-	556,787	-	556,787	-	-	556,787	-	556,787	711,157
Prepaid expenses and other assets	623,379	-	-	-	623,379	-	-	623,379	-	623,379	882,730
Total current assets	22,519,247	-	556,787	119,615	23,195,649	21,022	-	23,216,671	17,442	23,234,113	22,914,129
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION	-	10,752,827	-	2,068,457	12,821,284	900	-	12,822,184	-	12,822,184	13,401,694
GOODWILL	1,826,567	-	-	-	1,826,567	-	-	1,826,567	-	1,826,567	1,826,567
INTANGIBLE ASSETS, LESS AMORTIZATION	2,264,698	-	-	-	2,264,698	-	-	2,264,698	-	2,264,698	2,865,364
LONG-TERM INVESTMENTS	-	-	-	39,249,249	39,249,249	-	972,077	40,221,326	-	40,221,326	34,381,883
LOAN RECEIVABLE	170,000	-	-	-	170,000	-	-	170,000	(170,000)	-	-
DUE (TO) FROM OTHER FUNDS	(1,389,119)	(1,634,963)	3,284,059	(261,077)	(1,100)	18,542	-	17,442	(17,442)	-	-
TOTAL ASSETS	<u>\$ 25,391,393</u>	<u>\$ 9,117,864</u>	<u>\$ 3,840,846</u>	<u>\$ 41,176,244</u>	<u>\$ 79,526,347</u>	<u>\$ 40,464</u>	<u>\$ 972,077</u>	<u>\$ 80,538,888</u>	<u>\$ (170,000)</u>	<u>\$ 80,368,888</u>	<u>\$ 75,389,637</u>

DETAILS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

August 31, 2014 (with comparative totals as of August 31, 2013)

LIABILITIES AND NET ASSETS	2014										2013 Total
	Operating Fund	Plant Fund	Grants and Awards Fund	Long-Term Investments Fund	Total all funds	ALA/APA	Edwards Trust	Subtotal	Eliminations	Total	
CURRENT LIABILITIES											
Accounts payable	\$ 3,593,889	\$ -	\$ -	\$ -	\$ 3,593,889	\$ -	\$ -	\$ 3,593,889	\$ -	\$ 3,593,889	\$ 4,736,622
Accrued liabilities	1,079,939	29,248	-	-	1,109,187	-	-	1,109,187	-	1,109,187	1,075,660
Deferred revenue											
Publication subscriptions	2,455,120	-	-	-	2,455,120	590	-	2,455,710	-	2,455,710	2,501,310
Membership dues	4,155,832	-	-	-	4,155,832	-	-	4,155,832	-	4,155,832	4,049,838
Conference fees	2,290,437	-	-	-	2,290,437	-	-	2,290,437	-	2,290,437	2,682,827
Grants and awards	-	-	2,649,949	-	2,649,949	-	-	2,649,949	-	2,649,949	2,691,538
Current portion of capital lease obligation	-	159,611	-	-	159,611	-	-	159,611	-	159,611	142,090
Current portion of long-term debt	-	647,500	-	-	647,500	170,000	-	817,500	(170,000)	647,500	647,500
Total current liabilities	13,575,217	836,359	2,649,949	-	17,061,525	170,590	-	17,232,115	(170,000)	17,062,115	18,527,385
CAPITAL LEASE OBLIGATION	-	124,005	-	-	124,005	-	-	124,005	-	124,005	283,615
LONG-TERM DEBT	-	8,157,500	-	-	8,157,500	-	-	8,157,500	-	8,157,500	8,805,000
NON-CURRENT PORTION OF ACCRUED POST-RETIREMENT BENEFITS	16,363,243	-	-	-	16,363,243	-	-	16,363,243	-	16,363,243	17,078,973
Total liabilities	29,938,460	9,117,864	2,649,949	-	41,706,273	170,590	-	41,876,863	(170,000)	41,706,863	44,694,973
NET ASSETS (DEFICIT)											
Unrestricted	(4,547,067)	-	-	37,114,147	32,567,080	(130,126)	41,529	32,478,483	-	32,478,483	25,148,737
Temporarily restricted	-	-	1,190,897	3,547,397	4,738,294	-	930,548	5,668,842	-	5,668,842	5,031,227
Permanently restricted	-	-	-	514,700	514,700	-	-	514,700	-	514,700	514,700
Total net assets (deficit)	(4,547,067)	-	1,190,897	41,176,244	37,820,074	(130,126)	972,077	38,662,025	-	38,662,025	30,694,664
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,391,393</u>	<u>\$ 9,117,864</u>	<u>\$ 3,840,846</u>	<u>\$ 41,176,244</u>	<u>\$ 79,526,347</u>	<u>\$ 40,464</u>	<u>\$ 972,077</u>	<u>\$ 80,538,888</u>	<u>\$ (170,000)</u>	<u>\$ 80,368,888</u>	<u>\$ 75,389,637</u>

2014																		
Unrestricted													Temporarily restricted			Permanently restricted		
American Library Association													American Library Association Long-Term Investments Fund/			American Library Association Long-Term Investments Fund		2013
Operating Fund													Grants and Awards Fund			Edwards Trust		Total
General activities	Divisional activities	Round table activities	Post-retirement benefit activities	Technology Reserve Fund	Total Operating Fund	Plant Fund	Grants and Awards Fund	Long-Term Investments Fund	Total all funds	ALA/APA	Edwards Trust	Total unrestricted	Grants and Awards Fund	Edwards Trust	Total temporarily restricted	Investments Fund	Total	2013 Total
Revenues and other support																		
Operating revenues																		
Membership dues	\$ 5,535,789	\$ 2,687,859	\$ 163,651	\$ -	\$ 8,387,299	\$ -	\$ -	\$ -	\$ 8,387,299	\$ -	\$ -	\$ 8,387,299	\$ -	\$ -	\$ -	\$ -	\$ 8,387,299	\$ 8,451,375
Sales of books and materials	6,155,325	2,151,783	98,150	-	8,405,258	-	-	19,706	8,424,964	3,897	-	8,428,861	2,590	-	2,590	-	8,431,451	7,923,688
Subscriptions	2,920,287	1,914,914	6,151	-	4,841,352	-	-	-	4,841,352	94,019	-	4,935,371	-	-	-	-	4,935,371	4,600,027
Advertising	4,376,342	1,189,436	16,290	-	5,582,068	-	-	-	5,582,068	-	-	5,582,068	-	-	-	-	5,582,068	5,848,740
Meetings and conferences	7,037,503	5,486,875	36,586	-	12,560,964	-	-	-	12,560,964	19,035	-	12,579,999	-	-	-	-	12,579,999	11,165,618
Grants	-	-	-	-	-	-	4,537,061	-	4,537,061	-	-	4,537,061	417,884	-	417,884	-	4,954,945	6,922,284
Contributions	238,229	761,373	31,345	-	1,030,947	-	-	20	1,030,967	3,280	-	1,034,247	258,079	931,897	1,189,976	-	2,224,223	1,154,223
Dividends and interest income																		
Short-term investments	703,567	-	-	-	703,567	-	-	-	703,567	-	-	703,567	-	-	-	-	703,567	698,959
Long-term investments	-	-	-	-	-	-	-	724,337	724,337	-	4,680	729,017	16,481	-	16,481	-	745,498	521,164
Other	1,299,131	1,389,118	6,084	-	2,694,333	-	-	57	2,694,390	89	-	2,694,479	997	-	997	-	2,695,476	2,963,007
Total operating revenues	28,266,173	15,581,358	358,257	-	44,205,788	-	4,537,061	744,120	49,486,969	120,320	4,680	49,611,969	696,031	931,897	1,627,928	-	51,239,897	50,249,085
Net assets released from restrictions																		
Satisfaction of program restrictions	-	-	-	-	-	-	496,479	558,759	1,055,238	-	1,349	1,056,587	(1,055,238)	(1,349)	(1,056,587)	-	-	-
Total revenues and other support	28,266,173	15,581,358	358,257	-	44,205,788	-	5,033,540	1,302,879	50,542,207	120,320	6,029	50,668,556	(359,207)	930,548	571,341	-	51,239,897	50,249,085
Expenses																		
Payroll	13,702,939	5,461,394	1,400	-	19,165,733	-	1,141,563	-	20,307,296	55,102	-	20,362,398	-	-	-	-	20,362,398	21,009,944
Outside services	3,820,303	1,488,007	8,471	-	5,316,781	100,766	1,603,584	241,526	7,262,657	6,039	1,349	7,270,045	-	-	-	-	7,270,045	7,351,051
Travel	999,231	720,108	8,363	-	1,727,702	-	401,611	64,615	2,193,928	2,531	-	2,196,459	-	-	-	-	2,196,459	1,720,490
Meetings and conferences	3,330,792	2,219,983	114,798	-	5,665,573	-	854,903	23,709	6,544,185	729	-	6,544,914	-	-	-	-	6,544,914	7,295,552
Scholarships and awards	-	-	-	-	-	-	-	229,083	229,083	-	-	229,083	-	-	-	-	229,083	344,303
Publications	2,970,719	1,222,584	52,766	-	4,246,069	-	145,510	1,556	4,393,135	1,863	-	4,394,998	-	-	-	-	4,394,998	4,520,540
Operating	4,787,834	1,006,489	9,824	-	5,804,147	1,068,955	466,934	117,863	7,457,899	53,464	-	7,511,363	-	-	-	-	7,511,363	8,196,852
Post-retirement benefits	-	-	-	1,440,871	1,440,871	-	-	-	1,440,871	-	-	1,440,871	-	-	-	-	1,440,871	1,392,448
Inter-fund transfers	330,089	162,528	4,765	-	864,099	(1,169,721)	69,134	236,488	-	-	-	-	-	-	-	-	-	-
Total expenses before overhead allocation	29,941,907	12,281,093	200,387	1,440,871	44,230,975	-	4,683,239	914,840	49,829,054	119,728	1,349	49,950,131	-	-	-	-	49,950,131	51,831,180
Overhead allocation	(2,282,321)	1,915,654	16,366	-	(350,301)	-	350,301	-	-	-	-	-	-	-	-	-	-	-
Total expenses	27,659,586	14,196,747	216,753	1,440,871	43,880,674	-	5,033,540	914,840	49,829,054	119,728	1,349	49,950,131	-	-	-	-	49,950,131	51,831,180
Other post-retirement employee benefit-related credit other than net periodic post-retirement cost																		
	-	-	-	1,795,382	1,795,382	-	-	-	1,795,382	-	-	1,795,382	-	-	-	-	1,795,382	1,063,204
Excess (deficiency) of operating revenues and other support over operating expenses	606,587	1,384,611	141,504	354,511	(366,717)	2,120,496	-	388,039	2,508,535	592	4,680	2,513,807	(359,207)	930,548	571,341	-	3,085,148	(518,891)
Non-operating																		
Net realized and change in unrealized gains (losses)																		
Short-term investments	139,359	-	-	-	139,359	-	-	-	139,359	-	-	139,359	-	-	-	-	139,359	(418,276)
Long-term investments	-	-	-	-	-	-	-	4,681,311	4,681,311	-	36,849	4,718,160	66,274	-	66,274	-	4,784,434	2,075,159
Change in investment in related party	(41,580)	-	-	-	(41,580)	-	-	-	(41,580)	-	-	(41,580)	-	-	-	-	(41,580)	(25,979)
Impairment loss - goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(500,000)
Impairment loss - intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(380,000)
CHANGE IN NET ASSETS	704,366	1,384,611	141,504	354,511	(366,717)	2,218,275	-	5,069,350	7,287,625	592	41,529	7,329,746	(292,933)	930,548	637,615	-	7,967,361	232,013
Net assets (deficit), beginning of year	(1,082,519)	13,733,573	1,329,869	(21,068,063)	321,798	(6,765,342)	-	32,044,797	25,279,455	(130,718)	-	25,148,737	5,031,227	-	5,031,227	514,700	30,694,664	30,462,651
Net assets (deficit), end of year	\$ (378,153)	\$ 15,118,184	\$ 1,471,373	\$ (20,713,552)	\$ (44,919)	\$ (4,547,067)	\$ -	\$ 37,114,147	\$ 32,567,080	\$ (130,126)	\$ 41,529	\$ 32,478,483	\$ 4,738,294	\$ 930,548	\$ 5,668,842	\$ 514,700	\$ 38,662,025	\$ 30,694,664

American Library Association
DETAILS OF LONG-TERM INVESTMENT FUND
 August 31, 2014 (with comparative totals as of August 31, 2013)

Exhibit III

	2014														2013 Total	
	Unrestricted							Temporarily restricted								
	Life Member Fund	Future Fund	Carnegie Fund	Spectrum Family of Funds	Scholarships	Awards	Divisions	Huron Plaza	Edwards Trust	Total unrestricted	Long-Term Investment Fund	Edwards Trust	Total temporarily restricted	Permanently restricted		Total
Additions (transfers)																
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 258,079	\$ 931,897	\$ 1,189,976	\$ -	\$ 1,189,976	\$ 84,940	
Interest and dividends (transfers)	45,961	(26,893)	45,220	177,732	70,139	206,279	205,899	-	4,680	729,017	16,481	16,481	-	745,498	521,164	
Other	-	-	-	-	-	19,783	-	-	-	19,783	3,586	3,586	-	23,369	22,471	
Total additions (transfers)	45,961	(26,893)	45,220	177,732	70,139	226,062	205,899	-	4,680	748,800	278,146	931,897	1,210,043	1,958,843	628,575	
Net assets released from restrictions																
Satisfaction of program restrictions	-	107,414	51,459	79,229	45,106	273,395	2,156	-	1,349	560,108	(558,759)	(1,349)	(560,108)	-	-	
Total operating	45,961	80,521	96,679	256,961	115,245	499,457	208,055	-	6,029	1,308,908	(280,613)	930,548	649,935	1,958,843	628,575	
Deductions																
Outside services	9,895	83,674	10,089	36,755	14,550	44,646	41,917	-	1,349	242,875	-	-	-	242,875	221,731	
Travel and related expenses	-	54	-	64,011	177	373	-	-	-	64,615	-	-	-	64,615	61,862	
Meetings and conferences	-	-	-	1,860	-	21,849	-	-	-	23,709	-	-	-	23,709	26,649	
Scholarships and awards	-	-	41,370	113,346	37,922	35,945	500	-	-	229,083	-	-	-	229,083	344,303	
Publications-related expenses	-	-	-	-	-	1,556	-	-	-	1,556	-	-	-	1,556	2,730	
Operating expenses	26,765	13,590	-	-	-	77,508	-	-	-	117,863	-	-	-	117,863	58,689	
Inter-fund transfers	-	-	-	6	-	115,511	120,971	-	-	236,488	-	-	-	236,488	139,158	
Total deductions	36,660	97,318	51,459	215,978	52,649	297,388	163,388	-	1,349	916,189	-	-	-	916,189	855,122	
Excess (deficit)	9,301	(16,797)	45,220	40,983	62,596	202,069	44,667	-	4,680	392,719	(280,613)	930,548	649,935	1,042,654	(226,547)	
Non-operating																
Net realized gains	52,452	469,598	51,537	203,521	79,705	234,828	234,286	-	8,783	1,334,710	18,777	-	18,777	1,353,487	1,125,013	
Change in unrealized gains	133,016	1,186,187	130,647	518,753	201,219	593,820	591,742	-	28,066	3,383,450	47,497	-	47,497	3,430,947	950,146	
Total non-operating	185,468	1,655,785	182,184	722,274	280,924	828,648	826,028	-	36,849	4,718,160	66,274	-	66,274	4,784,434	2,075,159	
CHANGE IN NET ASSETS	194,769	1,638,988	227,404	763,257	343,520	1,030,717	870,695	-	41,529	5,110,879	(214,339)	930,548	716,209	5,827,088	1,848,612	
Net assets, beginning of year	1,358,169	12,005,431	397,956	4,808,109	1,787,744	3,773,116	5,845,815	2,068,457	-	32,044,797	3,761,736	-	3,761,736	514,700	36,321,233	
Net assets, end of year	\$ 1,552,938	\$ 13,644,419	\$ 625,360	\$ 5,571,366	\$ 2,131,264	\$ 4,803,833	\$ 6,716,510	\$ 2,068,457	\$ 41,529	\$ 37,155,676	\$ 3,547,397	\$ 930,548	\$ 4,477,945	\$ 514,700	\$ 42,148,321	\$ 36,321,233

American Library Association
SCHEDULES OF GENERAL ACTIVITIES EXPENSES
 Years ended August 31,

Exhibit IV

	2014	2013
Publishing department activities	\$ 12,275,684	\$ 12,515,207
Conference activities	7,342,580	7,748,498
Communications		
Library	389,748	353,604
Office for research and statistics	180,644	120,853
Public information office	419,940	497,362
Chapter relations	140,823	107,800
Public programs	310,803	160,028
Library advocacy	202,039	202,837
Member/customer service center	443,288	541,748
International relations	218,262	219,054
AED - communications	554,589	585,484
Total communications	2,860,136	2,788,770
Executive office and governance		
Executive Board and Committees	412,554	406,518
Executive office	866,618	874,078
Development office	339,286	298,610
Total executive office and governance	1,618,458	1,579,206
Member programs and services		
Washington office and Office for Information Technology Policy and Office of Government Relations	2,097,866	2,162,565
Office for Intellectual Freedom	548,478	625,263
Office for Human Resource Development and Recruitment	371,561	377,152
Office for Accreditation	245,655	246,029
Senior AED - member programs and services	222,066	219,538
Awards program	6,816	6,875
Office for Literacy and Outreach Services	350,062	325,956
Total member programs and services	3,842,504	3,963,378
Administration		
Business expense	1,222,234	1,127,412
Administrative services	183,895	194,381
Finance and accounting	1,415,246	1,535,612
Human resources	604,413	679,409
Information technology and telecommunication services	2,191,999	2,477,398
Subscription equivalent - American Libraries	351,580	365,750
Plant Fund transfer	1,473,702	1,450,122
Distribution center and reprographics	137,603	142,318
Total administration before overhead allocation	7,580,672	7,972,402
Total general activities expenses before allocation to other activities	35,520,034	36,567,461
Less Technology Reserve Fund expenses	(366,717)	(338,921)
Overhead recovery	(7,493,731)	(7,642,417)
Net general activities expenses	\$ 27,659,586	\$ 28,586,123

American Library Association
PUBLISHING ACTIVITIES - COMBINING SCHEDULE OF UNRESTRICTED REVENUES AND EXPENSES
 August 31, 2014 (with comparative totals as of August 31, 2013)

Exhibit V

	2014						2013 Total	
	ALA Editions	Booklist	American Libraries	Digital Reference	Products and Promotions	Pub. AED/ other		Total
Unrestricted operating revenues and other support								
Sales of books and materials	\$ 4,671,763	\$ 75,551	\$ -	\$ 137,852	\$ 1,037,501	\$ -	\$ 5,922,667	\$ 5,517,388
Subscriptions	225,957	1,651,994	67,589	959,174	-	-	2,904,714	2,607,677
Advertising	103,245	2,550,792	734,660	-	-	-	3,388,697	3,497,574
Other	11,580	914,901	76,230	51	500	-	1,003,262	1,247,785
Total unrestricted operating revenues and other support	5,012,545	5,193,238	878,479	1,097,077	1,038,001	-	13,219,340	12,870,424
Operating expenses								
Payroll	1,092,710	1,346,104	553,968	346,059	103,373	778,609	4,220,823	4,382,345
Outside services	92,457	89,872	27,177	9,149	8,178	93,417	320,250	275,230
Travel	29,342	54,393	23,107	13,107	8,679	11,493	140,121	103,909
Meetings and conferences	2,188	45,453	-	47	1,504	2,800	51,992	52,172
Publications	1,278,951	467,176	154,420	125,596	351,407	50,700	2,428,250	2,337,426
Administration (recovery)	1,489,792	266,841	152,158	643,591	66,102	(104,524)	2,513,960	2,478,902
Inter-unit transfers	213,131	204,922	(244,943)	49,309	64,923	(886,135)	(598,793)	(396,736)
Total operating expenses before overhead allocation	4,198,571	2,474,761	665,887	1,186,858	604,166	(53,640)	9,076,603	9,233,248
Overhead allocation	1,213,036	1,256,763	212,592	265,493	251,197	-	3,199,081	3,281,959
Total operating expenses	5,411,607	3,731,524	878,479	1,452,351	855,363	(53,640)	12,275,684	12,515,207
Excess (deficiency) of unrestricted operating revenues and other support over operating expenses	(399,062)	1,461,714	-	(355,274)	182,638	53,640	943,656	355,217
Non-operating								
Impairment loss - goodwill	-	-	-	-	-	-	-	(500,000)
Impairment loss - intangible assets	-	-	-	-	-	-	-	(380,000)
CHANGE IN NET ASSETS	\$ (399,062)	\$ 1,461,714	\$ -	\$ (355,274)	\$ 182,638	\$ 53,640	\$ 943,656	\$ (524,783)

DIVISIONAL ACTIVITIES - COMBINING SCHEDULE OF UNRESTRICTED REVENUES, EXPENSES AND CHANGES IN NET ASSETS

August 31, 2014 (with comparative totals as of August 31, 2013)

	2014											2013	
	PLA	ACRL and CHOICE	AASL	ASCLA	ALCTS	LLAMA	RUSA	UFL	LITA	ALSC	YALSA	Total	Total
Unrestricted revenues and other support													
Membership dues	\$ 505,910	\$ 648,844	\$ 313,526	\$ 44,245	\$ 207,994	\$ 175,555	\$ 185,096	\$ 56,532	\$ 164,190	\$ 153,011	\$ 232,956	\$ 2,687,859	\$ 2,681,173
Sales of books and materials	208,731	504,073	160,108	31,308	14,769	181	93,048	92,385	-	928,848	118,332	2,151,783	1,876,157
Subscriptions	39,670	1,652,045	12,726	-	48,386	-	21,107	118,157	-	8,911	13,912	1,914,914	1,867,792
Advertising	64,833	1,016,941	43,924	-	2,360	-	4,500	-	18,175	11,624	27,079	1,189,436	1,207,649
Meetings and conferences	3,242,406	350,478	1,259,230	21,009	170,799	84,827	15,023	31,481	164,883	116,294	30,445	5,486,875	3,680,080
Contributions	100,355	107,550	138,277	2,250	41,955	1,788	40,750	119,928	24,000	51,234	133,286	761,373	787,993
Other	18,619	955,561	37,968	45	4,654	5,915	10,701	7,863	19,932	296,268	31,592	1,389,118	1,388,739
Total unrestricted revenues and other sup	4,180,524	5,235,492	1,965,759	98,857	490,917	268,266	370,225	426,346	391,180	1,566,190	587,602	15,581,358	13,489,583
Expenses													
Payroll	527,793	2,427,512	507,626	59,128	276,182	189,101	186,953	323,907	173,466	416,543	373,183	5,461,394	5,235,055
Outside services	461,568	624,293	177,742	21,370	9,131	10,231	78,958	6,975	36,183	41,955	19,601	1,488,007	1,544,802
Travel	311,593	205,430	67,327	9,195	21,915	13,111	23,099	4,097	17,525	31,069	15,747	720,108	493,834
Meetings and conferences	681,099	498,456	502,516	11,439	88,006	14,263	67,925	35,686	72,314	153,208	95,071	2,219,983	2,050,669
Publications	156,084	685,272	150,710	349	46,399	1,127	11,759	32,770	9,020	87,276	41,818	1,222,584	1,364,800
Operating (recovery)	(53,126)	567,890	73,065	2,349	27,886	6,177	23,884	22,643	15,516	281,086	39,119	1,006,489	1,114,398
Inter-unit transfers	16,136	74,190	2,460	(16,133)	35,941	5,169	25,109	(20,212)	7,675	38,710	(6,517)	162,528	205,697
allocation	2,101,147	5,083,043	1,481,446	87,697	505,460	239,179	417,687	405,866	331,699	1,049,847	578,022	12,281,093	12,009,255
Overhead allocation	786,862	507,339	323,976	8,871	31,489	12,317	17,448	25,485	35,151	148,001	18,715	1,915,654	1,549,550
Total expenses	2,888,009	5,590,382	1,805,422	96,568	536,949	251,496	435,135	431,351	366,850	1,197,848	596,737	14,196,747	13,558,805
Excess (deficiency) of unrestricted revenues and other support over expenses	1,292,515	(354,890)	160,337	2,289	(46,032)	16,770	(64,910)	(5,005)	24,330	368,342	(9,135)	1,384,611	(69,222)
Net assets (deficit), beginning of year	1,769,725	7,697,094	872,727	96,576	320,754	179,051	595,169	(171,833)	432,541	1,763,645	178,124	13,733,573	13,802,795
Net assets (deficit), end of year	\$ 3,062,240	\$ 7,342,204	\$ 1,033,064	\$ 98,865	\$ 274,722	\$ 195,821	\$ 530,259	\$ (176,838)	\$ 456,871	\$ 2,131,987	\$ 168,989	\$ 15,118,184	\$ 13,733,573

American Library Association
**CONSOLIDATED STATEMENTS OF OPERATIONS AND
 CHANGES IN NET ASSETS BY PROGRAM ACTIVITY**
 Years ended August 31,

Exhibit VII

	2014	2013
Revenue		
Membership dues	\$ 8,387,299	\$ 8,451,375
Program activities		
Publishing	18,526,269	17,784,280
Meetings and conferences	14,558,798	13,506,770
Products and promotions	1,038,001	1,085,234
Grants and awards	4,954,945	6,922,284
Long-term investments	1,213,346	104,656
Total program activities	48,678,658	47,854,599
Other		
Interest and dividends	1,449,065	1,220,123
Miscellaneous	1,112,174	1,174,363
Total revenue	51,239,897	50,249,085
Expenses		
Program activities		
Publishing	16,724,963	16,468,113
Meetings and conferences	11,491,000	11,724,787
Products and promotions	855,363	1,009,769
Grants and awards	5,070,340	6,737,998
Office activities	4,797,182	5,027,023
Membership activities	5,697,025	5,574,853
Long-term investments	916,189	852,369
Total program activities	45,552,062	47,394,912
General and administrative activities		
Administration	2,957,198	3,043,820
Post-retirement benefits (recovery)	(354,511)	329,244
Total expenses	48,154,749	50,767,976
Operating revenues (less) greater than operating expenses	3,085,148	(518,891)
Non-operating		
Net realized and unrealized gains on investments	4,923,793	1,656,883
Change in investment in related party	(41,580)	(25,979)
Impairment loss - goodwill	-	(500,000)
Impairment loss - intangible assets	-	(380,000)
CHANGE IN NET ASSETS	7,967,361	232,013
Net assets, beginning of year	30,694,664	30,462,651
Net assets, end of year	\$ 38,662,025	\$ 30,694,664

ALA Allied Professional Association, Inc.
STATEMENTS OF FINANCIAL POSITION
 August 31,

Exhibit VIII

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 20,098	\$ 25,096
Inventories	<u>924</u>	<u>1,004</u>
Total current assets	21,022	26,100
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION	900	2,700
DUE FROM GENERAL FUND	<u>18,542</u>	<u>11,535</u>
TOTAL ASSETS	<u><u>\$ 40,464</u></u>	<u><u>\$ 40,335</u></u>
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Deferred subscription revenue	\$ 590	\$ 1,053
Start-up advance	<u>170,000</u>	<u>170,000</u>
Total current liabilities	170,590	171,053
NET DEFICIT		
Unrestricted net deficit	<u>(130,126)</u>	<u>(130,718)</u>
TOTAL LIABILITIES AND NET DEFICIT	<u><u>\$ 40,464</u></u>	<u><u>\$ 40,335</u></u>

ALA Allied Professional Association, Inc.
**STATEMENTS OF OPERATIONS AND
 CHANGES IN DEFICIENCY IN NET ASSETS**
 Years ended August 31,

Exhibit VIII - Continued

	<u>2014</u>	<u>2013</u>
Revenues and other support		
Operating revenues and other support		
Sales of books and materials	\$ 3,897	\$ 9,419
Subscriptions	94,019	94,952
Meetings and conferences	19,035	27,836
Contributions	3,280	5,409
Other	89	120
	<u>120,320</u>	<u>137,736</u>
Total revenues and other support		
Expenses		
Payroll and related expenses	55,102	52,987
Outside services	6,039	8,730
Travel and related expenses	2,531	1,757
Meetings and conferences	729	4,799
Publication-related expenses	1,863	1,947
Operating	53,464	54,585
	<u>119,728</u>	<u>124,805</u>
Total expenses		
CHANGE IN NET ASSETS	592	12,931
Net deficit, beginning of year	<u>(130,718)</u>	<u>(143,649)</u>
Net deficit, end of year	<u>\$ (130,126)</u>	<u>\$ (130,718)</u>

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ALA Allied Professional Association, Inc.
STATEMENTS OF CASH FLOWS
 Years ended August 31,

Exhibit VIII - Continued

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 592	\$ 12,931
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,800	1,800
Changes in operating assets and liabilities		
Inventories	80	257
Due to General Fund	(7,007)	41,598
Deferred revenue	(463)	(282)
Net cash provided by (used in) operating activities	(4,998)	56,304
Cash flows used in financing activities		
Loan payments to the Association	-	(95,000)
Net decrease in cash and cash equivalents	(4,998)	(38,696)
Cash and cash equivalents, beginning of year	25,096	63,792
Cash and cash equivalents, end of year	\$ 20,098	\$ 25,096

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